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ONTARIO ECONOMIC COUNCIL

ANNUAL REPORT
1976-1977



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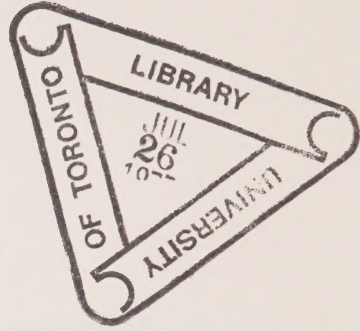
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Ontario Economic Council

ANNUAL REPORT

Report of the Chairman

1976-1977



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Ontario Economic Council
81 Wellesley Street East
Toronto, Ontario
M4Y 1H6


March 31, 1977

Honourable W. Darcy McKeough,
Treasurer of Ontario and
Minister of Economics and
Intergovernmental Affairs,
The Frost Building South,
Queen's Park,
Toronto, Ontario.

Dear Mr. McKeough

I have the honour to transmit herewith my annual statement on the activities of the Ontario Economic Council for the fiscal year ending March 31, 1977.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. L. Reuber". The signature is fluid and cursive, with the last name "Reuber" being more legible than the first initials "G. L.".

G. L. Reuber
Chairman

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INTRODUCTION

During the past year the Ontario Economic Council extended its work in three general directions. These concern the public decision-making process, intergovernmental relations and the outlook for the Ontario economy for the next ten years.

The work being done in these areas, and the policy papers that have been published, are a direct extension of our on-going work on public expenditure policies in the fields of health, urban affairs, education and social security as well as on policies related to national independence and the development of northern Ontario. The Council's interest in these established areas was generally reviewed in last year's Annual Report. Its continuing research activities in these areas are described below in some detail.

The papers issued, as part of our "Issues and Alternatives" series, on each of the new topics taken up this year may be briefly summarized as follows:

The public decision-making process: All of us are familiar with Adam Smith's notion of an invisible hand in economics. In examining the process of public decision making, we are concerned with what has been termed the invisible hand of politics — a potent force that not infrequently nowadays has the upper hand. In our paper we challenge the common notion of "the public interest" as a central principle of policy making. Instead, we emphasize that, in the public sector, just as in the private sector, self-interest and the incentives for those participating in the process play a vital part in determining what is done and not done. Change the incentives and the policies are likely to be different also.

Recognition of the invisible hand of politics — its influence shaped by the rules and incentives embedded in the process — gives a different perspective both on the role of government in our society and on the appropriate design of policy. Traditionally, attention has concentrated on how the economy works and the effects of policy changes. Here we consider the machinery into which the inputs of information and analysis flow and from which policy emerges. It is the nature of this machinery that explains why governments adopt the policies they do rather than alternatives which may seem more reasonable to the non-politician expert.

All this has relevance to gaining a better understanding not only about how government works but also about the feasibility and potential consequences of building public consensus through such proposals as tripartitism, for example. Public policy today elicits a veritable cornucopia of information, analysis and public debate. And hardly a day passes without calls to do more

from politicians, officials, business and labour leaders, academics, journalists and others. Underlying many of these exhortations is the presumption that if only enough well-intentioned and reasonable people can be brought together to share information and viewpoints, a broad consensus about goals and policies is likely to emerge.

In actual fact, exactly the opposite has occurred. The current outpouring of data, analysis and debate has not been accompanied by a growing consensus about goals and policies nor by increased confidence in the ability of governments to govern wisely and well. Instead, a so-called "crisis of government" has emerged.

Greater divisiveness exists among the various cross-sections of society than ever before, along with widespread disagreement about the appropriate preference to be accorded the entrées on our ever-growing menu of social goals. Opinions differ widely about how the economy works, about the appropriate role of government, about the constraints impinging upon policy and about the consequences of policy actions. In many areas, such as the health field, group after group has reviewed the issues in question and rendered its recommendations (frequently similar to those of earlier studies) with little or no apparent effect on policy. Confidence in the ability of governments to cope has become undermined and uncertainty about the future has grown to seriously damaging proportions.

This apparent paradox reflects a variety of developments that cannot be fully explored here. Part of the problem is simply that political leaders have persisted in promising substantially more than they are capable of delivering, given the constraints within which they necessarily function. Another central factor, however, is that the notion of "the public interest", which consensus-building exercises are presumably intended to identify and promote, is itself a chameleon. Few would deny that there are significant benefits to public policy from more and better data, analysis and public debate. It should also be recognized, however, that, in reality, consensus-building exercises provide yet another avenue for the promotion of self-interest via the invisible hand of politics. The only effective constraint upon this hand is restraint in the role of government itself. Failing such restraint, the principal issue is how the rules and incentives in the system can best be reshaped to bring about policies that better serve the nation and the province as a whole.

Intergovernmental relations: The second major issue to be discussed concerns the relationships among various levels of government in Canada. The Council decided to take up this subject more than a year ago. I mention this to emphasize the point that intergovernmental relations was a major issue in this country long before November 15, even though the election of the Parti Québécois has made it even more important and difficult.

While the subject is neither new nor neglected, public discussions of intergovernmental relations frequently seem more ritualistic than real. In the Council's paper we attempt to bring the subject to earth by presenting ten papers written by specialists on specific selected aspects of the subject. These

are introduced in a general statement by the Council which emphasizes two general themes.

The first concerns the desirability of decentralizing government as much as possible in order to reflect adequately the differing priorities and capabilities of this highly diverse, sparsely populated and enormously large country. A structure to accommodate diversity, after all, was the basis on which the country was put together in the first place and how it has survived up to now. It is the essence of federalism — a system that not only is the basis of government in Canada but also is gaining more favour elsewhere as people seek forms of government capable of reflecting differences and individuality while retaining some commonality of interest and feeling. The key question is how and where to draw the line between those things best left to the individual, to local government, to provincial government and to the federal government.

After a century of controversy and debate this question remains as unsettled as ever. Evidently there is no one-for-all answer; each generation works out its own *modus operandi*. At the moment, however, this issue remains highly unsettled even for this generation. Failure to arrive at some fairly widely accepted resolution of at least some of the main questions, could mean not only relatively weak and ineffective government for the present but also a narrower range of options for the future.

The second theme emphasized in the Council's statement was well summarized by Sir Wilfred Laurier half a century ago.

“It is a sound principle of finance and a still sounder principle of government that those who have the duty of expending the revenue of a country should also be saddled with the responsibility of levying it and providing it.”

Cost-sharing arrangements and conditional grants between federal and provincial and between provincial and local governments have been the single most important factor explaining the growth of government expenditure in this country. In a world where half or more of every dollar spent is provided by some other government, normal spending restraints are greatly relaxed. Moreover, in such a world the allocation of expenditures between the private and public sectors and within the public sector is considerably distorted because dollars for some purposes cost about half as much as for others.

The Ontario Economic Council endorses steps to promote more satisfactory constitutional arrangements, functional bilingualism, unconditional equalization grants among governments, structural changes at all levels of government to improve our economic performance, more satisfactory arrangements for sharing resource and other rents, and so on. In addressing these and other questions we believe the over-riding goals at this juncture in our history should be: first, as much decentralization as possible to reflect differences among communities while retaining at the centre power and responsibility for those areas where there is a strong common interest; and second, the maintenance of fiscal responsibility by requiring each level of government to raise from its own citizens most of the money it spends.

The outlook for the next decade: The third issue which we wished to highlight in our papers was the outlook for Ontario over the next ten years. In particular, what are some of the major policy issues looming on the horizon which, given sufficient forewarning, the Province might hope to deal with more effectively? To facilitate examination of this question, the Council commissioned four economists at the Institute for Policy Analysis to prepare projections of the longer-term prospects for Ontario and for Canada as a whole. Any such projections necessarily rest on a combination of assumptions, speculation, estimates and guesses. They clearly are projections, not forecasts. Nevertheless, such projections do serve to indicate the general direction in which we are headed at present, given what we know and what our policies are.

To my mind, these projections identify three developments that are likely to have an important influence on the economic future of this Province during the next ten years. First and foremost are the changes in the rate of growth and in the composition of the population. The second is changes in the availability and price of energy. And the third is changes in the composition of output and employment, with further expansion projected in the relative size of the service sector.

In the light of likely changes in these and other factors as well as our current economic difficulties, the Council believes a reassessment of current policy approaches is called for in a number of areas. Specifically:

1. the priority we attach to various goals needs to be re-examined and clarified;
2. government expenditure priorities need to be re-ordered to take account of demographic factors and the financial outlook;
3. policies bearing on private investment need to be reviewed from the standpoint of generating more investment in efficient industries capable of providing more jobs;
4. the funding of pension plans needs to be reconsidered;
5. policies need to be devised to improve labour relations, particularly in the public sector;
6. the whole vast network of government regulations which has grown up in recent decades needs to be critically scrutinized and arrangements are needed to ensure that such regulations automatically come up for assessment on a regular basis;
7. policies are required to increase the international competitiveness of the economy via the removal of barriers to competition and more liberal international trading arrangements, thereby fostering higher productivity and lower costs;
8. increased investment in energy supplies and energy prices high enough to induce greater conservation and investment are called for to improve the future economic prospects of the Province;
9. the mix of stabilization policy should give less attention to short-term

exigencies and fine-tuning than in the past and more weight to longer-term considerations;

10. our longer-term economic strategy should give particular attention to tax reductions, government expenditure restraint and improving the performance of labour markets.

While none of this is particularly new, the evidence suggests that there are important issues looming on the horizon in all these areas. Re-emphasizing them at this juncture in our history may be justified by recalling the homely proverb that "an ounce of prevention is worth a pound of cure."

The purpose of papers published in these three areas, as of the six published papers in our "Issues and Alternatives" series last year, is to highlight major issues as we see them, to stimulate informed public debate on these issues and to provide a framework for discussion about possible improvements in government policies.

As part of its efforts to promote a greater public awareness and understanding of leading issues, the Council organized and sponsored its third "Outlook and Issues" conference to be held at Toronto in April. The discussions will focus on the three policy areas outlined above as well as on questions related to the international economy, energy policy and relationships between Quebec and the rest of Canada. As before, the Conference has elicited a lively interest. In addition, the Council has continued to convene seminars bringing together academics, officials and experts from the private sector to discuss research projects underway.

During the coming year the Council has decided to give special emphasis to two topics: factors impeding business investment and government regulation. It is planned to include these among the topics to be discussed at our "Outlook and Issues '78" Conference.

During the past year the Council has published six manuscripts in its "Ontario Economic Council Research Studies" series through the University of Toronto Press. Although bearing the Council's imprimatur, the Council does not assume responsibility for the accuracy of the data or the analysis nor for the conclusions and policy judgements expressed.

The same is true of the mimeographed Working Papers which the Council produces as part of its research program. Two such Working Papers were issued during the past year.

Plans are in hand to begin a new publication series in 1977 entitled "Ontario Economic Council Occasional Papers". This series is intended to fill a gap that currently exists between our Research Studies and Working Papers series. Moreover, in order to reduce to a minimum the time between completion of a manuscript and its release in published form, the Occasional Papers series will be produced in a photo-reduced form from typescript.

In conclusion, I should like to report that during the past year the Council has begun the practice of meeting periodically with members of each political party represented in the Legislature. These meetings have afforded a

first-hand opportunity for members of the Legislature to discuss current issues with Council members, to review the Council's work and to make suggestions for future activities.

Completed Research Studies and Research Projects in Progress

Completed Research Studies

A number of research reports were published this year either in the form of research studies published by the University of Toronto Press or in the form of working papers. In addition, at the time of writing this report, a number of studies were in press.

PUBLISHED RESEARCH STUDIES

Property Crime in Canada: An econometric study

K.L. Avio and C.S. Clark

This is the first attempt, using Canadian data and econometric techniques, to study property crime as rational economic behaviour. Supply-of-offences functions for five types of property crime are specified and estimated using provincial data for 1970-2. Both the probability of apprehension and the probability of conviction are shown to have a substantial negative effect upon most kinds of property crime, with the conviction rate exhibiting the stronger influence. The generally significant inverse relationship between expected sentence length and the crime rate found by other researchers does not appear for the crimes investigated here. The results also indicate that estimating supply-of-offences functions over such aggregate categories as 'property crime' can lead to unjustified generalizations about particular types of crime.

Tariff and Science Policies: Applications of a model of nationalism

D.J. Daly and S. Globerman

This study is the first attempt to test empirically an economic model of nationalism, a model which implies that an emphasis on nationalism ultimately reduces economic efficiency — with low-income groups bearing most of the resultant cost — and redistributes income from lower-to upper-income individuals.

Applying the model to federal commercial and science policies, the authors argue that these policies have contributed to the high costs and low productivity of Canadian manufacturing and retarded the adoption of new processes and improved techniques. They find that the costs of these policies are borne by the urban worker and the consumer, while the major benefici-

aries are Canadian managers, scientists, and engineers. The efficiency and competitive position of Canadian industry are reduced and income redistributed from lower-to upper-income groups.

Science policies designed to increase, at high cost, a broad range of Canadian research and development capabilities are related to the slower adoption of new manufacturing processes in Canada than in the United States and Europe. The authors conclude that greater trade liberalization and increased industrial specialization would benefit Canada and Ontario, that more emphasis should be placed on rapid diffusion of innovation, and that research should be concentrated in fields where Canada has a potential competitive advantage.

*The Effects of Energy Price Changes on Commodity Prices,
Interprovincial Trade, and Employment*

J.R. Melvin

This study investigates how an increase in the price of petroleum and natural gas would alter commodity prices in Ontario, and then estimates the effects on production and employment. A 100 per cent increase in energy prices is assumed. Using the Ontario input-output table it is found that commodity price increases would be relatively small, on average 2.7 per cent over-all and less than 1.6 per cent in basic manufacturing. However, using Cobb-Douglas utility functions it is also calculated that the Ontario labour force would suffer an employment reduction of 2 to 4 per cent.

Economic policy alternatives open to Ontario are then considered. Subsidies to offset commodity price increases would be very expensive and difficult to administer. Retaliatory measures, such as a change in the Ontario Corporate Income Tax, would be inefficient. It is concluded that from Ontario's point of view the best economic policy would be to attempt to ensure that petroleum and natural gas prices remain uniform throughout Canada.

A Theory of the Expenditure Budgetary Process

D.G. Hartle

This analysis is an important contribution to the scanty Canadian literature on the politics of the budgetary process. It is an important theoretical contribution to the study of political decision-making made by an economist.

Speaking from personal experience of the administrative struggles that lie behind evolving federal expenditure priorities, Professor Hartle offers an original, and at times devastating, review of the theories of public decision-making advanced by such analysts as Downs, Breton, Niskanen, and Wildavsky. He argues that their inadequacies can be overcome if politics, like the economy, is recognized as a process in which individuals and groups seek to maximize their satisfactions. He shows how the federal budget is the outcome

of a series of utility-maximizing games between politicians, bureaucrats, interest-group leaders, journalists, and voters. His approach is clearly applicable to decision-making in all organizations, both public and private.

Resources, Tariffs, and Trade: Ontario's stake

J.R. Williams

Evidence is presented in this book that the tariff, despite its intention, has *not* succeeded in encouraging the growth of secondary manufacturing in Ontario — or in Canada as a whole. Surprisingly, the tariff may have encouraged agricultural production in Ontario, compared with other provinces, but the amount of processing and manufacturing in the province, according to this study, has been reduced below the level possible with free trade.

Professor Williams suggests that the Canadian tariff has raised the cost of end-product processing, relative to earlier stages of processing, by shifting production to commodities using resources that are scarce in Canada. He maintains that free trade would encourage final processing, because intermediate products would be obtained at world prices and more abundant Canadian resources would be used.

Transportation Rates and Economic Development in Northern Ontario

N.C. Bonsor

This book examines the influence of transport costs on regional economic development in northern Ontario. It begins with an overview of the Canadian freight rate structure, with emphasis on railway rates, and a brief look at the history of federal rate policy. A theoretical model of rate determination is then constructed to permit measurement of the impact on producers and consumers of alternative rate-setting policies. Using econometric techniques and 1975 data, rate changes are related to the inputs and outputs of northern Ontario's economy, and the effect on the region of subsidies and regulations is discussed.

Freight rates on inbound shipments are found to be much higher than on goods exported from the area. A central result is that regulations limiting competition in the Ontario trucking industry have raised highway freight rates significantly beyond the national average. In this situation transport subsidies are unlikely to affect rates, Professor Bonsor argues; the most effective way to lower unduly high freight rates in northern Ontario, he suggests, is to eliminate entry restrictions and promote vigorous competition in the highway trucking industry.

PUBLISHED WORKING PAPERS

Exploitation of Ontario Mineral Resources: An Economic Policy Analysis

J.C. Leith

This study is designed to set out the issues involved in public economic policy towards mineral resources exploitation in Ontario. It contains a review of the mineral sector to show how the sector has developed, its current significance on the provincial scene, and its major structural characteristics. The study sets out an economic policy framework that focuses on the case for policy intervention in the mineral sector. Finally, there is an evaluation of existing and alternative policies.

Labour Market and Other Implications of Immigration Policy

W. Marr

The study addresses the effects of immigration on Ontario's labour market, and health and education systems. The federal Green Paper on Immigration is studied from an Ontario viewpoint, and a behavioural model of an economy and migration is developed. After establishing an immigrant data base for Ontario, the over-all effects of immigration on Ontario's economy are examined using an econometric model of this economy. The education system is examined to determine immigrants' participation at the elementary, secondary, and post-secondary levels. The migrants' use of health services is also investigated. Data sources include the Canadian Census of 1971, the report of the Canadian Immigration and Population Study, Ministry of Health records, the Toronto Board of Education Every Student Survey, and Department of Finance micro-data files.

MANUSCRIPTS AT THE UNIVERSITY OF TORONTO PRESS

Government Support of Scientific Research and Development:

An economic analysis

D.G. McFetridge

This book examines the role of government in the allocation of resources to scientific research and development in industry. Starting from the premise that state intervention can be justified only if it increases economic efficiency, the study assesses the merits of alternative forms of government intervention, such as extending the scope of property rights to scientific discoveries, providing R & D subsidies, and government operation of research facilities. Focusing on the conditions under which subsidies should be granted, the enquiry considers the effects of such measures as the discrimination between foreign and domestic or between exporting and non-exporting applicants and the restriction to Canada of the exploitation of project results, and it exam-

ines the problem of determining the size of subsidy to be awarded.

An analysis of the current Canadian R & D subsidy assesses the extent to which subsidies may have been used to achieve alternative goals (such as support of failing firms), their effect on the total value of resources allocated to R & D, and the connection between research expenditures and patenting activity. Evidence is found that the present subsidy system has had the effect of increasing total R & D expenditures, which in turn has stimulated patenting activity. Whether the inventions obtained were worth their cost is left an open question.

Publication: June 1977

Public and Private Pensions in Canada: An economic analysis

J.E. Pesando and S.A. Rea Jr.

At current contribution rates, the investment fund of the Canada Pension Plan will be exhausted before the end of the century. At an inflation rate of 8 per cent, the real value of today's private pension will be cut in half every ten years. The implications of these and related problems are explored by Pesando and Rea in their analysis of public and private pensions in Canada. The analysis of private pension plans examines the adequacy of vesting and 'locking in' provisions, together with the broader question of whether the private pension system as currently constituted can remain viable in an inflationary climate. The analysis of public programs focuses on the financing of public pension plans, the income redistribution effects of the Canada Pension Plan, and the incentive effects of public retirement programs. A computer model which simulates the life histories of a large sample of Canadians indicates that the CPP tends to transfer wealth to those with a relatively high lifetime income.

This incisive analysis pinpoints the inadequacies of current provisions for retirement income and outlines the direction which planning must assume if the intentions of pension programs are to be fulfilled.

Publication: September 1977

Speculation and Monopoly in Urban Development:

Analytical foundations with evidence for Toronto

J.R. Markusen and D.T. Scheffman

The recent rapid rise in land and housing prices in Canadian cities has generated much public concern. It is widely supposed that prices have been inflated by monopolistic developers, an assumption that has never been adequately tested. This study develops a model of the land development process which includes a new theory of land pricing giving special emphasis to market structure, speculation, and taxation. It then applies the model to the first

fully documented examination of the Toronto land market, presenting specific original data on ownership and land assembly. The history of the conversion of farmland to residential use in four recent Toronto subdivisions permits a close look at the activities and profits of speculative middlemen and at the length of time developers buy land prior to subdividing.

The results indicate that Toronto real estate is not controlled by a few large developers, that ownership concentration is too low to imply market power even if all companies with overlapping corporate control are treated as a single firm. The authors suggest that rising prices have been caused by unforeseen increases in demand, shortages of municipally provided trunk service capacity, especially sewers, and frequent municipal reluctance to grant subdivision approvals.

Publication: September 1977

Day Care and Public Policy in Ontario

M. Krashinsky

The last decade has seen rapid growth both in the use of extra-family care by working parents and in public involvement in the day care sector. This study, written from a solid economic perspective, is an important contribution to the debate on public policy. After tracing the development of day care in Ontario, the study focuses on two crucial policy issues: should day care be subsidized and should the day care industry be regulated. Using a sophisticated economic model, Professor Krashinsky demonstrates that the Ontario subsidies to day care are an inefficient way to assist working parents. Instead, he proposes a system of tax reductions which would enable many more families to take advantage of a greater range of child care facilities. If subsidies are to help children, he argues, they must apply to all children in need, whether or not their parents work and use day care. A general nursery school voucher system, he suggests, would be an effective approach.

Although regulation in Ontario has been useful, Krashinsky suggests that the province would be better served by an active public agency that restricted itself to collecting and disseminating information. He concludes that the province has been well served by a mixture of public, private, and non-profit day care institutions and that each mode has a role to play in an evolving sector.

Publication: November 1977

Provincial Public Finance in Ontario:

An empirical analysis of the last twenty-five years

D.K. Foot

This detailed and informative study makes a timely contribution to a subject that has been the focus of much public discussion and debate in Ontario and

elsewhere, namely the size and growth of the public sector. Working with the Public Accounts and other sources, Professor Foot offers both an historical account of, and an explanation for, the growth of provincial revenues and expenditures since the early 1950s. By concentrating on an analysis of the development of a single government over time, rather than adopting the traditional cross-section approach of analysing a number of junior-level governments at a point in time, this study adds a significant perspective to the literature concerned with the theoretical and empirical analysis of the behaviour of junior-level governments.

The study's conclusions are both informative and provocative. On the revenue side, a rate-base approach which separates discretionary from automatic changes in revenue determinants is shown to provide sufficient flexibility to accommodate the analysis and explanation of a wide range of specific revenues. On the expenditure side, the provincial government is found to adjust reasonably slowly to new levels of desired expenditures which appear to be determined primarily by demand variables. Of particular interest are findings which suggest that urbanization and elections have had little effect on expenditures and that available federal funds have tended to be a substitute for provincial funds.

Publication: November 1977

*Extending Canadian Health Insurance:
An Evaluation of Policy Options for Pharmacare and Denticare*
R.G. Evans and M.F. Williamson

The study investigates the effects of introducing public pharmacare and denticare programs. It describes the relevant data necessary for proper program analysis, paying particular attention to areas where data are not currently available. The study also discusses feasible alternative public programs and their evaluation, and suggests ways in which evaluation might be improved. Due attention is paid to matching specific programs with public objectives.

Various arguments for public action in these areas are discussed, including risk-spreading, income redistribution, and increasing utilization of certain services by particular population groups. The various issues related to the efficiency and organization of the services' delivery system are also discussed.

Publication: December 1977

MANUSCRIPTS IN PRESS AT THE ONTARIO ECONOMIC COUNCIL

Fiscal Knowledge and Fiscal Preferences
D.A.L. Auld

The purpose of this study is two-fold: to determine broadly the extent to which people in Ontario are familiar with certain aspects of local-provincial

finance, and secondly to analyse individual preferences for particular public goods. The basic research instrument was a personal interview survey covering almost 1,300 households in Ontario. The results were then subjected to a number of statistical analyses.

The findings are difficult to summarize briefly since they encompass a large number of dimensions. Broadly, the findings showed that (1) there is considerable ignorance about those aspects of the public sector dealt with in the survey; furthermore, the degree or pattern of ignorance is not related to the characteristics of the respondents. (2) The pattern of fiscal preference did not vary appreciably; there was no strong consensus concerning too much or too little spending on a particular function, with the exception of administrative expenditure. (3) The age of the respondents and the size of their urban communities were the most frequent significant predictors of fiscal preference. (4) At best, the characteristics of the respondents explained 15 per cent of the variance in fiscal preference orientation.

Publication: June 1977

Access to University

J.A. Buttrick

This study makes use of Census data, records of students who have received honours graduation diplomas, data from the Ontario Universities' Application Centre, as well as evidence from the older Carnegie Study to describe the influence of the neighbourhood and school on university attendance. Some of the results are unexpected: girls receive higher marks in school but, even in Grade 9, have lower scholastic aptitude scores; in richer neighbourhoods the correlation between average marks and scholastic aptitude scores is higher than in poorer neighbourhoods; holding scholastic aptitude constant, a youngster is more likely to receive an Ontario Scholarship if he/she attends a school in a rich neighbourhood. Most of the results, however, are much as one would expect: holding scholastic aptitude constant, children from more affluent neighbourhoods are much more likely to remain in school through Grade 13 and continue into university.

The study also considers some of the policy options available to those who desire a more egalitarian society. The problem of change is judged to be difficult, since what parents are able to do for their children, including choosing a neighbourhood in which to live, seems to be crucial for the subsequent academic performance of young people.

Publication: June 1977

*Basic Skills at School and Work:
The Study of "Albertown", An Ontario Community*
O. Hall and R. Carlton

The purpose of this study is to explore the interface between employing institutions and post-secondary institutions on the one hand and the framework of elementary and secondary educational institutions on the other. The central objective is to determine how good a fit there is between the needs of the former and the efforts by the latter to confer basic skills on the students.

Preliminary findings indicate that, in terms of recent high school leavers, employers are relatively satisfied with the kind of basic skills they possess, although the demand for these skills within the work setting is really quite minimal. The employers are nevertheless concerned about what they perceive to be poor attitudes towards work on the part of these recent high school graduates.

Demand for basic skills is much greater in post-secondary institutions. There appears to be a general dissatisfaction with the skills of recent high school graduates, and an assortment of remedial programs is in existence. The demand for skills varies within each program, as does the recruitment of students. There is also evidence of programs being altered to respond to the level of skills of the incoming students.

Publication: June 1977

Prospects for Prevention: A Catalogue
R.W. Morgan

The objective of this study is to compile a catalogue of preventative programs and to examine their rationale and their problems. The study discusses criteria which should be applied in deciding whether or not to implement suggested new programs. As well as examining criteria for effectiveness, the study contains numerous recommendations on a disease-specific basis. It also provides a suggested distinction of responsibility for the implementation of viable preventative programs.

The methodology has involved an examination of morbidity and mortality data for Canada, some visits to health centres outside Canada, and a review of the methods of prevention available or proposed for every disease in the International Classification of Diseases.

Publication: July 1977

Research Projects in Progress

The majority of these projects initially funded in fiscal 1975-76 will be completed and published during fiscal 1977-78. The remainder funded in March of this year should be completed in fiscal 1978-79.

PROJECTS TO BE COMPLETED IN 1977-78

1. General

Input-Output Analyses of Fiscal Policy in Ontario

Edited by J. Bossons, with papers by R.M. Boadway, A.A. Kubursi, and J.M. Treddenick

Because of the diversity of effects of government policy, it is desirable to be able to obtain disaggregated analyses of changes in government fiscal policy. Input-output models provide a technique for making such disaggregated analysis; such models are being increasingly used for this purpose.

A description of the nature of input-output models, together with an evaluation of their values and limitations, is provided in an introductory essay by Bossons. Input-output models are based on some important simplifying assumptions. These assumptions make tractable the numerical analysis required to obtain solutions of disaggregated models, but require that users take care in interpreting the validity of conclusions reached using input-output models.

The study contains several important extensions of input-output data which are required for analyses of the disaggregated effects of Ontario fiscal policy. These include: (1) the construction of detailed estimates of trade flows between Ontario and the rest of Canada, by Boadway and Treddenick, (2) estimation of the industrial composition of different components of government expenditures, by Kubursi, and (3) estimation of the regional distribution of value-added and wage bills of each industry, also by Kubursi.

The papers in this study rest on assumptions which are necessarily restrictive; their conclusions hence should be regarded as first approximations. Nevertheless, the conclusions are provocative and should motivate further work aimed at creating an improved data base with which more accurate disaggregated policy models can be constructed.

2. Health

Perspective on Regionalization and the Mustard Report

J.T. McLeod

The purpose of this study is to provide a critique of the proposals of *The*

Report of the Task Force on Health Planning — The Mustard Report — on the basis of the literature on regionalization, the experience of other jurisdictions with regionalization, and speculation on the main “behavioural” implications of the Mustard Plan. Although many of the conclusions reached in this paper are negative and raise questions concerning the viability of the Mustard scheme, the author is in general sympathy with the goals and the broad principles of Mustard’s concept of regionalization. The author examines how regionalization might best be implemented and analyses some obstacles to its realization, as well as formulating alternative approaches to the decentralization of health services.

Hospital Budgeting in Ontario

R.G. Milne

Health services involve a substantial provincial financial commitment, and hospitals appropriate a very large part of that cost. The objective of the study is to examine how the budgetary system is administered by the Ontario Ministry of Health and to assess the scope for modification as a means of reducing the cost of hospital care.

The study will involve a description of the budgetary system in Ontario from 1969 to 1975. Ministry and other data related to the budgets awarded will be examined to determine the size and nature of increases allowed and to identify the factors and parties in the review process which have had a significant influence on the allocation of funds across hospitals in Ontario. Budgetary changes introduced in that time period will be assessed with respect to Ministry objectives.

Health Status Measures and Health Care Planning

A.J. Culyer

This study investigates the role that health status measurements could play in the planning of Ontario’s health services. The levels at which such measures have been claimed to be useful vary from the microscopic (in clinical practice and research) to macroscopic (sector planning and international comparisons).

The now quite extensive literature in medical, administrative, and economic journals will be reviewed, assessed and structured in such a way that it can be related to Ontario’s current and prospective policy choices, to the federal context of health indicator development, and to the existing base of statistical information in Ontario.

A central part of the work will develop a planning algorithm that should enable easier communication between disciplinary groups, civil service and academic groups, professionals ‘in the field’, and planners.

Deriving from that review and assessment will be a number of suggested routes which might be followed in creating, collecting and utilizing health status information for the population of Ontario.

The Income Distribution Effects of Public Medical and Hospital Insurance Programs in Ontario

P. Manga

This study investigates the distribution of the costs of Ontario's hospital and medical insurance plans by income class. The definition of "benefit" in this context is basically the value of services at current prices, costs, or fees, and not the value of some final measure such as "improved health". The study also attempts to analyse these distributional effects by using important sociodemographic characteristics of the population (i.e. geographic location, age, and family size).

The major difficulty faced in the estimation of benefit incidence is the absence of the required data base. Thus a survey has been undertaken to develop a micro-data base including the important sociodemographic and income information on a sample of OHIP families and some pertinent health-related data. The survey data are merged with the utilization records of the Ministry of Health to generate the complete base for the estimation of benefit incidence and for investigation of the determinants of health-care utilization in Ontario.

Physician Direct Billing of Patients

A. Wolfson and C. Tuohy

The study examines empirically the behaviour of opted-out and opted-in Ontario physicians in terms of levels of services provided, the mix of services, their use of other health resources, cost per patient, encounters per patient, characteristics of physicians in terms of sex, date or place of graduation, and practice-type, and so on. The study presents the "political economy" of direct-billing and attempts to analyse the economic, political, social, and medical forces at work in determining the performance of this "private" sector in the health care system of Ontario. Much of the relevant data will be obtained through a survey of Ontario physicians. Some supplementary information will be obtained from the Ministry of Health as well as the medical associations. The policy implications of the results will be discussed.

The Economic Impact of Limiting the Supply of Physicians and Hospital Beds in Ontario

W.S. Comanor

The project is concerned with evaluating the effect on the quantity and quality of medical services of limiting the supply of physicians and/or hospital beds in Ontario. These questions are investigated using regression analysis, with particular attention being paid to the separate effects of the number of GP's per capita and the number of specialists per capita in the physicians' services analysis. The separate effects of acute, chronic and obstetrical beds are assessed in the hospital services analysis. The data being employed are from eight Ontario districts over the period 1972-74.

The Medical Care Expenditure Implications of Community Health Centres in Ontario

M.L. Barer

This study will develop a methodology for estimating the marginal costs of diagnosis-specific hospital cases. These costs, when combined with hospital utilization data reported in studies of community health centre subscribers and matched, non-centre, populations, will allow a determination of the fiscal implications of such utilization data.

The method employed to derive marginal case costs involves the specification and estimation of a hospital cost equation relating average cost per case to various hospital-specific factors. A comparative static determination of the implications of changes in case mix on average costs provides the marginal cost estimates.

Some consideration will also be given to the potential use of these, or similarly derived, case costs as a basis for hospital reimbursement.

3. Social Security

Income Security in Ontario

C. Kapsalis

The objective of the study is to evaluate how satisfactorily present income-transfer programs cope with the problem of poverty and what changes may be necessary to remove apparent deficiencies of the present system.

Major attention is paid to the characteristics of the poor, such as the main reasons for poverty, and employability. Existing programs, as well as new ones — such as a wage supplement for the working poor — are evaluated in view of the characteristics of the poor. The study relies extensively on regression analysis and cross-tabulations of the 1974 Survey of Consumer Finances data.

The Size Distribution of Income: A Theoretical Survey

C.M. Beach and F.R. Flatters

The purpose of this study is to summarize and synthesize various works on the theory of size distribution of personal income within a single, general framework, in order to provide some understanding of the interactions of the many different social and economic forces determining and altering the income distribution. This study is intended to direct policy-makers and researchers toward major issues and aid them in developing effective strategies for dealing with them. The study points to many important theoretical and empirical questions that should form the basis for research programs to aid in informing public discussion and policy-making with respect to income distribution issues in Ontario and Canada.

The sort of policies required and the way in which they might be expected to affect the distribution of income and wealth depend very much on the answers that can be provided to the questions.

The Income and Asset Distribution Picture in Ontario

C.M. Beach and F.R. Flatters

The study reviews the current state of income distribution in Ontario, and then attempts through a series of adjustments and imputations to build up a more accurate estimation of the underlying distribution of real incomes for long run economic studies in Ontario. This involves a review of the asset and net worth position of different income groups, as well as the effect of life cycle upon measured inequality.

The first or descriptive portion of the study, which reviews the current state of income distribution in Ontario, has involved numerous cross-tabulations from the 1971 Census public-use sample tapes and from the Surveys of Consumer Finances tapes for 1970-4. The second major portion of this study focuses on the imputation and adjustments necessary to obtain approximate distributions of real incomes and long run economic status. The third major section of the study will examine the distributional impact of economic fluctuations.

4. Urban Affairs

Residential Property Tax Relief in Ontario

R.M. Bird and E.N. Slack

This study analyses the incidence and effects of two programs designed to relieve the burden of the residential property tax in Ontario: the Property Tax Stabilization Program and the Property Tax Credit. This analysis is preceded by a discussion of the structure of the property tax

in Ontario and its incidence. Estimates of the incidence of the residential property tax in Ontario have been made under various assumptions. According to the traditional view of property tax incidence, the tax appears to be regressive at all income levels, while according to the so-called new view it is progressive for higher income groups and mildly regressive in the lowest income groups. The impact of the Property Tax Stabilization Grant on local taxes and expenditures has also been analysed using a simple model with cross-section data for fifty upper-tier municipalities in Ontario for 1973. The study will be completed by an analysis of the impact of the property tax credit on the incidence of the property tax and on property tax levels.

Housing Programs and Income Distribution

G.B. Fallis

This project examines the impact of the housing-related activities of both the federal and provincial governments on the distribution of income in Ontario. Particular attention is paid to those housing programs which directly subsidize households and suppliers, and to subsidies inherent in the income tax system. Emphasis is placed on identifying the beneficiaries by age, family size, and income and on measuring the benefits simply as the difference between the market value of the services received and the payments made by beneficiaries. The analysis will use data supplied by the agencies responsible for the programs and data in the 1971 Survey of Consumer Finances.

In light of this analysis, there will be a discussion of alternative programs which might better achieve policy goals.

The Market for New Housing in the Metropolitan Toronto Area

R.A. Muller

This is a study of the industrial organization of the market for new housing in the Metropolitan Toronto Area, defined for statistical purposes as the Toronto Census Metropolitan Area. The project is designed to describe and document the operation of the market with particular attention to the supply of new housing. Special attention is given to the degree of market power available to large developers and the extent of supply constraints in the provision of serviced land. The conduct of firms and the performance of the market are evaluated, and implications for public policy are discussed.

The study draws on previous research, on interviews with developers and planners, and on the records of the Ministry of Housing. It concludes that concentration in the development of housing is low, that there is no evidence of collusion among firms, but that the timing of land

development may be affected by the size of the company's holdings. There is evidence of substantial delay in the process of approving new residential developments.

5. **National Independence**

*Resource Use, Foreign Ownership, and Taxation:
An Economic Analysis of Provincial Mining Policy*
P.G. Bradley

The objective of this research is to provide a clear statement of the economic issues central to provincial policy toward the mining industry. These include: (1) the identification of earnings in mining, in excess of a normal return on capital, which are attributable to the natural resource and which represent a distinctive tax base, (2) the extent to which special features of the mining industry cause foreign ownership to be particularly disadvantageous, and (3) the role of taxation policy, as it relates to the preceding items and to the division of resource revenues among different levels of government.

For the analysis to be pertinent, its assumptions must be realistic. One branch of the mining industry, whose major products are lead and zinc, has been examined. The principal research tool is a computer model in which production costs are estimated and compared with value of output. Federal and provincial tax receipts are calculated, with residual net earnings accruing to private investors, Canadian and foreign. The model thus provides a tool for examining the consequences of existing or proposed provincial tax policies, regarding both incentive effects and the distribution of any surplus resource revenues.

The model is a feasible policy tool, making it possible to estimate the magnitude of earnings attributable to natural resources and to observe the consequences of complex tax structures. Such a tool appears necessary if taxation is to be designed to secure for the province a share of mineral resource revenues, while offsetting the disadvantages of foreign ownership and maintaining appropriate incentives for private investment.

Financial Markets and Foreign Ownership
J.C. Pattison

This study examines the financial factors which have influenced the changing levels of foreign control. First, the adequacy of aggregate domestic savings is examined, and the role of monetary and fiscal policy is explored. Second, general trends in the flow of funds in Canada are examined to show the origin and disposition of funds among deficit and surplus sectors. A discussion and brief analysis of the complex

regulation of financial markets and the institutionalization of savings with reference to foreign ownership leads to a consideration of bank lending, equity markets, and underwriting. In the case of equity markets, the work has concentrated on the liquidity, depth, and continuity of the market, using data on a large number of trades of a wide range of volumes, prices, and market conditions for a broad selection of foreign and Canadian controlled firms. The banking section of the report considers both the supply and demand for funds for alternative uses by firms. Accounting information seems to indicate that Canadian-controlled firms are less desirable lending risks than foreign-controlled firms resident in Canada.

The study examines the over-all implications of the foreign control question and makes suggestions for provincial and federal policy and the coordination of such policy.

Efficient Capital Markets and the Equity Capital Market in Canada
C.C. Potter

Little empirical work has been done in Canada on the efficiency of capital markets. Moreover, there is no consensus regarding the state of efficiency in Canadian markets. The objective of this project is to supply some direct evidence.

The principal data consist of the combined audited financial statements of all firms in manufacturing that were reported by the publication *Taxation Statistics* for the years 1955-64 and by *Corporation Financial Statistics* for the years 1965-71. Other data relate to the Investor's Index of Statistics Canada for the years 1955 to 1971.

The association between unexpected changes in the intrinsic value of the representative manufacturing firm in each of the size categories (\$1-5 million; \$5-10 million; \$10-25 million, and over \$100 million) and unexpected price changes in the market index is examined. If the market is efficient, the information used in predicting the market index will be based on evidence of changes in the intrinsic value of the representative firm. Evidence includes the last fiscal period's audited statements, unaudited quarterly statements to date, reports from shareholders' meetings, special announcements, and more. If they are the true information set used by the market, then all the available information about changes in intrinsic value is taken into account by the market in setting a set of prices to clear the market.

The main results to date indicate that the Canadian market is two-tiered (1) for firms in the largest size category, security prices appear to fully reflect available information; (2) for firms in the \$25-100 million size category, the securities market appeared to be efficient in the period so far tested (1955-64) but it also appeared to offer significant opportunities for the exploitation of non-random trends.

Transfer Pricing by Multinationals

G.D. Quirin and G.F. Mathewson

This is an examination of transfer-pricing decisions involving movements of unmarketed goods and services between corporate affiliates in two or more countries. It examines conditions under which such prices will diverge from prices which would emerge in transactions between arm's-length firms. It also studies the effects the opportunity to manipulate transfer prices may have on the allocation of resources within a country and on the location of production and employment between countries. In addition it examines the impact of transfer pricing on tax or tariff revenues. Constraints on transfer pricing in Canada, the United States, the EEC, and certain other countries are examined to determine the extent to which they modify behaviour in this regard. Because information on transfer pricing tends to come to light only as a consequence of litigation, it is impossible to obtain data representative of normal practice in this matter. The study is based on numerical solutions to a series of models, the parameters of which are varied in such a way as to cover the range of likely cases.

Among the findings are (1) the opportunity to manipulate transfer prices gives multinationals a comparative advantage over domestic firms in the presence of tariffs and/or different rates of corporate income tax; (2) constraints on transfer pricing in advanced countries tend to reduce this advantage; (3) certain alternative tax structures would eliminate it entirely; (4) the basic result is to reduce the effectiveness of deliberately created trade barriers or tax incentives; and (5) the problem is most acute for countries with relatively weak tax-enforcement systems.

6. **Northern Ontario**

Post-Secondary Education and Economic Development in Northern Ontario

D.M. Cameron

The objective of this study is to examine the case for and against the differential treatment of post-secondary education in Northern Ontario, to ascertain the present degree of differential treatment, and to examine the effectiveness of both actual and desirable differential treatment. Information has been derived from interviews with university and college officials and from provincial documentary and data sources.

The study contains recommendations relating to the structure, organization, and financing of post-secondary education in Northern Ontario.

Regional Policy Alternatives:

A Study of Policy Efficiency for Northern Ontario

D.F. Burgess and R.S. Woodward

The aim of this study is to assess the efficiency of various regional policies in achieving goals for Northern Ontario. The question of efficiency arises once it is recognized that regional goals frequently conflict with the goal of maximizing provincial economic growth or welfare. The problem is then to achieve the regional objectives at minimum cost to the rest of the province. In addition, the regional goals most frequently enunciated by northerners are interrelated. It is therefore important to understand how the pursuit of one goal may impair or enhance the ability to attain another.

The most important regional goals for Northern Ontario are taken to be these: (1) better employment opportunities, in particular reversing the emigration of skilled young people; (2) a wider, more diversified structure of economic activity in which processing as well as resource extraction occurs; (3) a greater variety of amenities, and the removal of infrastructural bottlenecks.

The research involves the investigation of the linkages between goals and policies using three different analytical models of the regional economy. These models are (1) a Weberian location model for an individual firm, (2) a general equilibrium model which recognizes over-all regional constraints, and (3) a linear programming characterization. Some useful insights into goal-policy efficiency are achieved, and an ordering of first-best and suboptimal policies is established.

The Industrial Structure of the Ontario Mining Industry

S.H. Gill

The purpose of this study is to examine the structural features of Ontario's mining industry, with particular reference to metal mining in Northern Ontario. The primary objective is to ascertain the ways in which various aspects of industrial structure affect the stability of income and employment levels in northern communities heavily dependent on mining activities.

As well, this study examines the case for and against the encouragement of further processing of raw and semi-processed materials, as a possible solution to the cyclical movement of income and employment levels. This also involves a critical examination of existing public policies which intend to promote further processing.

7. Education and Manpower

Income Redistributive Effects of University Education in Ontario: A Benefit-Cost Analysis

O. Mehmet

The purpose of this study is to test empirically the hypothesis that university education in Ontario is regressive (pro-rich) reflecting unequal access by the relatively poor socio-economic groups in the creation of human capital undertaken in the universities. The study is an application of the standard Human Capital Theory within a benefit-cost framework. A unique feature of the benefit-cost model is that benefits and costs of university education are measured from the standpoint of specific income-groups (i.e. groups of parents) rather than an individual investor. The central reference group is the full-time male graduates of bachelor degree programs completing their studies in Spring 1974.

PROJECTS TO BE COMPLETED IN 1978-79.

1. Urban Affairs

An Economic Analysis of Provincial Land Use Policy in Ontario

M. Frankena and D.T. Scheffman

The purpose of this study is to provide an economic analysis and evaluation of the increasingly important role which is being played by the Ontario provincial government in planning and controlling regional land use. The focus of the study is on provincial planning and land use control in the Toronto-Centred Region (TCR), particularly regulation of the conversion of rural land, creation of greenbelts, and attempts to change the size and spatial distribution of urban areas in the TCR.

The research is directed to answering three questions:

(a) What is the economic rationale, if any, for provincial intervention in the determination of regional land use and location patterns?;

(b) What sort of provincial policies would produce an efficient allocation of resources?;

(c) What do the existing and evolving provincial policies purport to do, what will they actually do, and what are their benefits and costs?

The study will include a detailed empirical analysis of the rate of conversion of rural land in the TCR and an empirical study of the demand for residential land and the effect of provincial planning on residential lot prices. The study will also include a review of the British experience with regional planning and land use controls.

Filtering and Housing Policy

G.W. Davies

Low income families frequently occupy housing which is supplied by the filtering process, rather than newly built housing. Families with increased real incomes wish to increase their standard of housing so they occupy new housing, which the private market supplies, and their existing housing is "filtered down" to lower income families.

This project will begin an investigation of the effects of filtering process in the housing market on the housing consumption patterns of different income groups. It will survey existing filtering models and examine selected housing policies to determine how a filtering model may be used to assess the effects of these policies. Some preliminary work may also be done with the 1974 CMHC survey of dwelling units, which is linked to the 1971 Census, to investigate whether models of filtering might be estimated.

2. Education and Manpower

Unemployment and Labour Force Participation of Young People
Quantec Research Ltd.

The aim of this project is to study intensively the nature and extent of unemployment and labour force activity of people under the age of 25 in Canada, in general, and in Ontario, in particular; in the course of the study, to give special attention to changes that have occurred over time in the levels and distributions of unemployment and labour force in this group, including changes of a longer-run trend character, "cyclical" variations, and shifts in seasonal patterns; through the use of newly available micro-data, to analyse the characteristics of the young unemployed and labour force in recent years and to relate the probabilities of being unemployed and of labour force participation to demographic, educational, occupational and other characteristics of individuals; to attempt to assess the economic 'welfare' costs of youth unemployment.

Organization and Activities

Outlook and Issues '77 Conference

On Monday, April 25, 1977, the Council will hold its third annual one-day "Outlook and Issues" Conference at The Prince Hotel in Toronto. It is expected that the Conference will be attended by some 300 senior business, labour and government officials, the news media, academics and the general public.

Among the highlights of the Conference will be the dinner address by The Honourable Jacques Parizeau, Quebec Minister of Finance and Revenue, on "Quebec Canada Proposals for Economic Association," and the luncheon address by Peter B. Kenen, Walker Professor of Economics and International Finance, and Director of the International Finance Section, Princeton University, on "Prospects and Issues in the International Economy." The morning plenary session will begin with "The Ontario Economic Outlook, 1977-1978" by J. Robert René de Cotret, President, The Conference Board in Canada followed with a commentary by George Post, Acting Chairman, Economic Council of Canada. Claude M. Isbister, Consulting Partner, Currie, Coopers and Lybrand Ltd., will address the mid-afternoon session on "Ontario's Energy Requirements and Policy".

In addition, there will be two concurrent panel sessions in the morning on "The Ontario Economic Outlook for the Next Decade" followed by two in the afternoon on "The Process of Public Decision-Making and "Intergovernmental Relations". These sessions will focus on discussion papers prepared by the Council in each of these areas. The issues raised will be examined by panelists from business, finance, industry, and labour, as well as by legislators and academics, with audience participation.

Meetings of the Council

In 1976-77 Council members participated in numerous meetings of Council committees concerning particularly the three discussion papers. In addition, the Council met five times, as required under The Ontario Economic Council Act, 1968: May 17th, September 27th, November 8th, 1976 and February 19th and 20th, 1977.

Council Committees

The research program is organized under six committees of the Council. This structure makes it feasible for Council members to participate at some depth in the research program. Each Council member is on one such committee with one of them serving as Chairman along with a staff member serving as secretary. The Council Chairman and the Research Director and Executive Secretary are ex officio members. The six committees parallel the six research areas. These committees are responsible for advising the full Council on the priorities within their respective areas. Apart from these duties, committee members participate in policy seminars, conferences, and other activities aimed at applying the basic knowledge derived from the research program to public policy issues of current importance. The composition of these committees is as follows:

EDUCATION AND MANPOWER

J.D. Gibson-Chairman
H.C. Hatch
O. Mehmet - Staff

HEALTH

J.T. Pennachetti - Chairman
E.A. Gullett
R.G. Hill
M.L. Barer - Staff

NATIONAL INDEPENDENCE

L.K. Lodge - Chairman from August
A.E. Safarian - Chairman to August
L.R. Williams
J.C. Pattison - Staff

NORTHERN DEVELOPMENT

E.L. Hollingsworth - Chairman
H.F. Dougall
J.A. Stewart
S.H. Gill - Staff

SOCIAL SERVICES AND TRANSFERS

J.C. McKibbin - Chairman
R.C. Baetz
D.C. Smith
M. Mendelson - Staff

URBAN AFFAIRS

W.P. Wilder - Chairman
D.B. Archer
W.F. McCormick
D.M. Winch
G.B. Fallis - Staff

During the year three new committees of the Council were established when the Council extended its work in three general directions. These committees are comprised as follows:

PROCESS OF PUBLIC DECISION-MAKING

D.C. Smith - Chairman
R.C. Baetz
E.A. Gullett
R.G. Hill
E.L. Hollingsworth
W.F. McCormick
G.B. Fallis - Staff

OUTLOOK

R.R. de Cotret - Chairman
D.B. Archer
H.F. Dougall
J.D. Gibson
H.C. Hatch
L.K. Lodge
J.C. McKibbin
J.C. Pattison - Staff

INTERGOVERNMENTAL RELATIONS

D.M. Winch - Chairman

J.H. Bennett

J.T. Pennachetti

J.A. Stewart

W.P. Wilder

L.R. Williams

J.G. Young - Staff

Research Management Teams

While the Council committees provide the necessary interface between the research program and the full Council, the job of mounting and monitoring the research program falls to research management teams made up of Council staff and external experts. Teams corresponding to two of the new Council committees were added during the year. Research management teams generally correspond to the areas of research interest. A link is maintained between the research management teams and the Council committees by the Research Director and Executive Secretary and the officer in charge of the particular research area. The present composition of these teams is as follows:

EDUCATION AND MANPOWER

J.A. Buttrick - York University

A.E. Kovacs - University of Windsor

N.M. Meltz - University of Toronto

J.D. Welland - McMaster University

O. Mehmet - Staff

HEALTH

R.G. Evans - University of

British Columbia

R.D. Fraser - Queen's University

J. Madden - University of Guelph

M.L. Barer - Staff

NATIONAL INDEPENDENCE

M. Bucovetsky - University of Toronto

D.G. McFetridge - Carleton University

T.A. Wilson - University of Toronto

J.C. Pattison - Staff

NORTHERN DEVELOPMENT

K.E. Loucks - Laurentian University

A.H. Seuret - Lakehead University

R.S. Woodward - University of

Western Ontario

S.H. Gill - Staff

SOCIAL SERVICES AND TRANSFERS

M. Krashinsky - University of Toronto

R. Van Loon - Carleton University

B. Spencer - McMaster University

M. Mendelson - Staff

URBAN AFFAIRS

G.W. Davies - University of

Western Ontario

D.N. Dewees - University of Toronto

J.M. Hartwick - Queen's University

G.B. Fallis - Staff

INTERGOVERNMENTAL RELATIONS

R.M. Bird - University of Toronto

T.J. Courchene - University of
Western Ontario

H.I. Macdonald - York University

S.S. Reisman - Reisman and
Grandy Limited

D.V. Smiley - York University

R. Simeon - Queen's University

J.G. Young - Staff

OUTLOOK

R. Breton - University of Toronto

F.T. Denton - McMaster University

D.E. Laidler - University of
Western Ontario

A.J.R. Smith - INCO Limited

T.A. Wilson - University of Toronto

J.C. Pattison - Staff

Members of the Council

Members of the Ontario Economic Council are appointed by the Lieutenant Governor in Council for a period of up to three years. Members are eligible for re-appointment.

The Chairman was re-appointed for another term ending on September 30th, 1979.

The following are current members of the Council with terms expiring December 19, 1978:

Mr. David B. Archer

Mr. Reuben C. Baetz
Executive Director
The Canadian Council on Social
Development

Mrs. Jalynn H. Bennett
Investment Manager
Canadian Securities Division
Manufacturers Life Insurance Company

Mr. J. Robert René de Cotret
President
The Conference Board in Canada

Mr. H. Fraser Dougall
President
Thunder Bay Electronics Limited

Mr. J. Douglas Gibson
Chairman
The Consumers' Gas Company

Mr. Rowland G. Hill
General Vice-President and
Canadian Regional Director
International Union of Operating
Engineers

Mr. E. Lynn Hollingsworth
Vice-President
Soo Mill & Lumber Company Limited

Mr. William F. McCormick
President
Glen Highland Holdings Ltd.

Dr. David M. Winch
Chairman, Department of Economics
McMaster University

The following members were re-appointed for the period ending December 19, 1979:

Mr. Lorne K. Lodge
Chairman and President
IBM Canada Ltd.

Miss J. Clunas McKibbin
Administrative Officer and Actuary
London Life Insurance Company

Mr. John T. Pennachetti
Chairman
General Concrete of Canada Ltd.

Dr. A. Edward Safarian
Professor, Department of Political Economy
University of Toronto

Dr. David C. Smith
Head, Department of Economics
Queen's University

Mr. William P. Wilder
Chairman
Canadian Arctic Gas Study Limited

Mr. J. Andrew Stewart
President
J.A. Stewart Limited

The following new members were appointed for the period ending December 19, 1979:

Dr. Jane Banfield Haynes
Associate Professor of Social Science
York University

Mr. John J. Stuart
President
J.T. Wing Limited

The terms of the following members expired in December 1976:

Dr. Elizabeth A. Gullett
Associate Professor and Acting Chairman
Department of Consumer Studies
University of Guelph

Mr. Lynn R. Williams
Director, District 6
United Steelworkers of America

Mr. H. Clifford Hatch
President
Hiram Walker-Gooderham & Worts Ltd.

The members of the Executive Committee are: G.L. Reuber (Chairman), D.B. Archer, J.D. Gibson, J.H. Bennett, and D.C. Smith.

The Council wishes to express its sincere gratitude to those who have retired from its membership for their dedicated and conscientious service.

Council Staff

The present management team consists of the Chairman (part time), the Research Director and Executive Secretary, D.A. Dawson (full time), and the Administrative Officer, T.P. Loneragan (full time). Mr. Dawson joined the Council in September 1976 for a two-year period. Mr. Dawson is on leave from the McMaster University where he is an Associate Professor of Economics. From 1973 to 1975 he served as Assistant to the President for Academic Planning at McMaster. Immediately prior to joining the Council he attended National Defence College for a year.

As of March 31, 1977, the Council Research staff was composed of the following:

SENIOR RESEARCH OFFICERS

G.B. Fallis
O. Mehmet
J.C. Pattison

RESEARCH OFFICERS

M.L. Barer
S.H. Gill
M. Mendelson
J.G. Young

RESEARCH ASSISTANTS

A. Gampel
D. Markovich
G. Siegel
L.M. Tsang
D.A. Vickers

During the year the following research staff changes occurred:

John A. Buttrick joined the Council as a Senior Research Associate on June 1st for a one-year period while on sabbatical from York University, where he is Professor of Economics. Mr. Buttrick received his M.A. and Ph.D from Yale University. His work is in the education area.

Douglas G. Hartle was engaged by the Council as a Senior Research Associate in October for a nine-month period. Mr. Hartle is on sabbatical from the Institute for Policy Analysis, University of Toronto where he is Professor of Economics. He received his M.A. and Ph.D in Economics from Duke University. Mr. Hartle is assisting the Council with the preparation of discussion papers.

Ozay Mehmet joined the Council as a Senior Research Officer in July 1976 while on leave from the University of Windsor where he is an Associate Professor of Economics. Mr. Mehmet received his M.A. and Ph.D from the University of Toronto. His work is in the education field.

Morris L. Barer came to the Council in July as a Research Officer in the health area. Prior to joining the Council Mr. Barer was at the University of British Columbia where he has just completed the requirements for his Ph.D in economics.

J. Geoffrey Young joined the Council as a Research Officer in mid-September for a period of two years. Before joining the Council Mr. Young was a Research Associate with the British Columbia Institute for Economic Policy Analysis, Victoria. He received his education at the University of British Columbia, the London School of Economics and Harvard University. He is focusing his attention on the field of intergovernmental relations.

The Council wishes to acknowledge the contributions of the following:

Colin J. Hindle, Research Director and Executive Secretary, now with the Economic Council of Canada.

Anthony J. Culyer, Senior Research Associate, who returned to University of York, England.

Calvin C. Potter, Senior Research Associate, who returned to Concordia University.

Pranlal Manga, Senior Research Officer, now with the Anti-inflation Board.

Constantine Kapsalis, Research Officer, now with the Economic Council of Canada.

Robin G. Milne, Research Officer, who returned to University of Glasgow.

An Act to establish the Ontario Economic Council

BILL 51

1968

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1.

In this Act,

(a)

“Council” means the Ontario Economic Council;

(b)

“Minister” means the member of the Executive Council designated by the Lieutenant Governor in Council to administer this Act.

Interpretation
2.

(1)

The Ontario Economic Council is established, consisting of not more than twenty-one members appointed by the Lieutenant Governor in Council, of whom one shall be designated as chairman.

Establishment
- (2)

The Council may contract and may sue and be sued in its own name, and the members thereof are not personally liable upon any contract made by the Council.

Power to contract and sue
3.

(1)

The chairman of the Council shall be appointed to hold office for a term of not more than five years.

(2)

Each of the members of the Council shall be appointed to hold office for a term of not more than three years, except that of those first appointed not less than one-third shall be appointed for a term of one year and not less than one-third shall be appointed for a term of three years.

Appointment, chairman

Members
- (3)

A retiring chairman or other member of the Council is eligible for re-appointment to the Council in the same or another capacity.

Re-appointments
4.

It is the duty of the Council to advise and make recommendations to the Executive Council or any member thereof on methods for,

(a)

encouraging the maximum development of the human and material resources of Ontario;

Duties of Council

<p>(b) supporting the advancement of all sectors of Ontario; and</p> <p>(c) fostering conditions for the realization of higher standards of living for the people of Ontario.</p>	
<p>5. The Council may,</p> <p>(a) conduct socio-economic studies in any area considered by the Council to be of concern;</p> <p>(b) cause to be published such studies and reports as are prepared by or for the Council;</p> <p>(c) co-operate and maintain liaison with the Economic Council of Canada and bodies in other jurisdictions corresponding to the Council;</p> <p>(d) create an awareness and public understanding of provincial socio-economic issues by holding seminars and conferences;</p> <p>(e) create such committees as it considers desirable for the carrying out of its objectives; and</p> <p>(f) undertake such other duties as are assigned by the Lieutenant Governor in Council.</p>	<p>Further duties of Council</p>
<p>6. (1) The chairman of the Council shall receive such remuneration as the Lieutenant Governor in Council determines.</p>	<p>Salaries: chairman</p>
<p>(2) The Minister may designate a member of the Council to be the deputy chairman who shall act in the absence of the chairman and may be paid such <i>per diem</i> allowance as the Lieutenant Governor in Council determines.</p>	<p>deputy chairman</p>
<p>(3) Members of the Council, other than the chairman and deputy chairman, shall serve without remuneration but all members shall receive their reasonable travelling and living expenses while absent from their ordinary place of residence in the course of their duties under this Act.</p>	<p>members</p>
<p>(4) Notwithstanding subsection 3, a member of the Council, other than the chairman and deputy chairman, may for any period during which he performs, with the approval of the Council, any duties on behalf of the Council in addition to his ordinary duties as a member thereof, be paid such remuneration therefor as the Lieutenant Governor in Council determines.</p>	<p>Remuneration for additional duties</p>

(5) Such officers and employees as are necessary for the proper conduct of the work of the Council may be appointed under <i>The Public Service Act, 1961-62</i> .	Staff 1961-62. c. 121
7. (1) The Council shall meet at least five times a year at the discretion of the chairman.	Meetings
(2) A majority of the members constitutes a quorum of the Council.	Quorum
8. The expenses of the Council in carrying out its objectives shall be paid out of the moneys appropriated therefor by the Legislature.	Expenses of Council
9. This Act comes into force on the day it receives Royal Assent.	Commence- ment
10. This Act may be cited as <i>The Ontario Economic Council Act, 1968</i> .	Short title

Publications

ANNUAL REPORTS

Annual Report, 1974-1975

Annual Report, 1975-1976

Annual Report, 1976-1977

ISSUES AND ALTERNATIVES

1976 Series

Education

Social Security

Health

Housing

National Independence

Northern Ontario Development

1977 Series

The Ontario Economy to 1987, including the supporting research study,

The Ontario Economy 1977-1987

The Process of Public Decision-Making

Intergovernmental Relations

RESEARCH STUDIES

Economic Analysis of Environmental Policies, by D.N. Dewees, C.K. Everson and W.A. Sims, 1976.

Property Crime in Canada: an econometric study, by Kenneth L. Avio and C. Scott Clark, 1976.

Tariff and Science Policies: applications of a model of nationalism, by D.J. Daly and S. Globerman, 1976.

The Effects of Energy Price Changes on Commodity Prices, Interprovincial Trade, and Employment, by J.R. Melvin, 1976.

A Theory of the Expenditure Budgetary Process, by D.G. Hartle, 1976.

Resources, Tariffs and Trade: Ontario's Stake, by J.R. Williams, 1976.

Transportation Rates and Economic Development in Northern Ontario, by N.C. Bonsor, 1977.

WORKING PAPERS

Some Preliminary Evidence on Family Income Concentration in Ontario, by Harry M. Kitchen, June 1975 (1/75).

A Cross-Sectional Analysis of Canadian Public Attitudes toward U.S. Equity Investment in Canada, by J. Alex Murray and Lawrence LeDuc, June 1975 (2/75).

¶ *A Research Agenda in Health Care Economics*, by R.D. Fraser, October, 1975 (3/75).

¶ *Student Loans: A reappraisal, with Special Reference to Ontario's and Canada's Changing Needs in Educational Finance*, by E.G. West, December, 1975 (4/75).

Labour Market and Other Implications of Immigration Policy for Ontario, by William L. Marr, November, 1976 (1/76).

Exploitation of Ontario Mineral Resources: an economic policy analysis, by J. Clark Leith, December, 1976 (2/76).

GENERAL STUDIES

¶ *Information: A Critical Component for better Government*. Report of the Task Force on Local and Regional Government Data, May, 1975.

The foregoing publications are available from the Ontario Government Bookstore, Toronto except for the Working Papers which are available from the Ontario Economic Council, 81 Wellesley Street East, Toronto, Ontario M4Y 1H6. The Research Studies are also available from the University of Toronto Press, Toronto.

¶ OUT-OF-PRINT

